

## Message Text

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47

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W  
----- 037854

O R 141650Z FEB 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC IMMEDIATE 5245

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

S E C R E T THE HAGUE 0780

EXDIS

DEPT. PASS TO SECDEF

E.O. 11652: XGDS-1

TAGS: MASS, NL, BE, NO, DA

SUBJECT: F-104 REPLACEMENT

REF: THE HAGUE 0683

1. MFA'S DIRECTOR OF NATO AFFAIRS HAS CONFIRMED TO EMBASSY IN UTMOST CONFIDENCE THAT DUTCH AND BELGIAN PLAN TO PROPOSE THAT 4-NATION CONSORTIUM PUT LISTS OF SUPPLEMENTARY QUESTIONS TO US AND FRENCH GOVERNMENTS TO OBTAIN CLARIFICATION OF OUTSTANDING POINTS REGARDING THEIR AIRCRAFT REPLACEMENT OFFERS (REFTEL). PROPOSAL WILL BE MADE AT PRIVATE DINNER OF FOUR MODS FEBRUARY 16, PRIOR TO THEIR SCHEDULED BURSSELS MEETING NEXT DAY. DUTCH BELIEVE DANES AND NORWEGIANS WILL AGREE TO PROPOSED COURSE OF ACTION BUT EVEN IF THEY DO NOT BELGIUM AND HOLLAND WILL PROCEED AND THIS MEANS THAT EUROPEAN OFFICIALS WILL BE TRAVELLING TO WASHINGTON SHORTLY TO PRESENT QUESTIONS TO USG. OFFICIAL SAID IT IS HOPED ENTIRE F-104 REPLACEMENT QUESTION WILL BE SETTLED AND DECISIONMADE BY END OF MARCH. HE SAID FONMIN VAN DER STOEL WOULD LIKE TO EMPHASIZE HOW IMPORTANT POSITIVE US REPLIES WILL BE TO QUESTIONS, ROUGH SUMMARY OF WHICH FOLLOWS.

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2. FIRST QUESTION DEALS WITH "NOT TO EXCEED" PRICE.  
IS IT REALLY FIRM, I.E. WILL DEVELOPMENT COSTS RISE?  
OFFICIALLY DUTCHFEEL US OFFER IS HARD ENOUGH BUT THEY  
WOULD LIKE FURTHER ASSURANCE.

3. NEXT QUESTION DEALS WITH DOLLAR EXCHANGE RATE AND  
RATE OF INFLATION. DIRECTOR SAID OPPONENTS OF US CHOICE  
CLAIM US OFFER IS ATTRACTIVE BECAUSE OF CURRENT LOW  
DOLLAR EXCHANGE RATE; PROBLEM THEREFORE IS TO WHAT  
EXTENT RATE WILL RISE. (HE NOTED THAT IN THIS AND  
OTHER QUESTIONS HIS TASK HAS BEEN TO PHRASE QUERIES  
IN SUCH A WAY THAT US IS NOT OBLIGED TO RESPOND WITH  
"YES OR NO".) REGARDING INFLATION RATE, SINCE US IS NOT  
LIMITING RISK OF INCREASED INFLATION WHAT IS US FORECAST  
CONCERNING INFLATION IN GENERAL AND ESPECIALLY ITS  
IMPACT ON US AERONAUTICAL INDUSTRY? TO WHAT EXTENT  
WOULD US BE PREPARED TO ACCEPT A CONTRACT SPECIFIED IN  
CURRENCIES OF CONSORTIUM COUNTRIES, OR TO ACCEPT SOME  
OTHER FORMULA TO LIMIT MONETARY RISK? DIRECTOR  
OBSERVED THAT SINCE THERE IS 40 PCT EUROPEAN CO-PRODUCTION  
PARTICIPATION OFFERED BY US, THERE MAY BE SOME ROOM TO  
APPLY "OTHER CURRENCY" CONCEPT. HE NOTED FRENCH ARE  
WILLING TO ASSUME RISK OF INCREASED INFLATION BEYOND  
CERTAIN LIMIT AND ALSO THAT DUTCH FIGURE DOLLAR  
EXCHANGE RATE AND US INFLATION RATE SEEM TO HAVE CONVERSE  
RELATIONSHIP.

4. THIRD AND FINAL QUESTION RELATES TO "COMPETITIVENESS".  
WHILE US OFFER STATES USG WILL ASSURE CERTAIN PERCENTAGE  
OF CO-PRODUCTION IS ATTAINED, THERE IS DOUBT THAT  
EUROPEAN INDUSTRIES WILL BE ABLE TO COMPETE WITH US  
INDUSTRIES. "REASONABLY COMPETITIVE" LANGUAGE SUGGESTS  
A PICKING AND CHOOSING BY US WHICH WOULD LEAVE EUROPEAN  
INDUSTRIES IN POOR POSITION IN VIEW OF LOWER US PER UNIT  
COSTS. DIRECTOR MENTIONED BELGIAN EXPERIENCE HERE.  
HE SAID THIS IS PARTICULARLY IMPORTANT QUESTION FOR  
MINISTERS OF ECONOMICS AND SOCIAL AFFAIRS. WOULD IT  
BE POSSIBLE TO ENVISAGE ARBITRATION OF "REASONABLE  
COMPETITIVENESS"? IF ON THE BASIS OF THAT PRINCIPLE  
EUROPEANS ARE NOT REACHING GUARANTEED LEVEL OF CO-PRODUCTION,

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HOW CAN THAT LEVEL BE REACHED OTHERWISE?

5. DIRECTOR SAID QUESTIONS TO BE PUT TO FRENCH WILL  
EMPHASIZE PRICE, BECAUSE FRENCH PRICE IS TOO HIGH FOR  
THE DUTCH, AND WILL INCLUDE SAME QUESTION REGARDING  
EXCHANGE RATE AND INFLATION WHICH US IS BEING ASKED.  
FRENCH ALSO WILL BE QUERIED ABOUT THEIR POLICY REGARDING  
ARMS EXPORTS TO THIRD COUNTRIES, POSSIBILITY OF FRENCH

PARTICIPATION IN EUROPEAN AIRCRAFT INDUSTRY AND ROLE OF  
FRENCH AIRFORCE IN TERMS OF WESTERN DEFENSE.

6. DIRECTOR IS CLOSE, VALUABLE AND RELIABLE FRIEND OF  
US. NEITHER SUBSTANCE OF THIS MESSAGE NOR MANNER IN  
WHICH INFORMATION CAME INTO OUR POSSESSION SHOULD BE  
REVEALED.

7. EMBASSY RECOGNIZES THAT SUBSTANCE OF QUESTIONS SET  
FORTH ABOVE HAS PREVIOUSLY BEEN TRANSMITTED TO WASHING-  
TON VIA SPECIAL MILITARY CHANNELS. HOWEVER, IT IS  
SIGNIFICANT THAT NOW USG IS BEING ADVISED OF THIS MATTER  
IN DETAIL BY FOREIGN MINISTRY, WITH FONMIN VAN DER STOEL'S  
HAND CLEARLY SHOWING.

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## Message Attributes

**Automatic Decaptoning:** Z  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY AIRCRAFT, MILITARY SALES, ARMS PRODUCTION, F-104  
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**Draft Date:** 14 FEB 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
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**Disposition Date:** 28 MAY 2004  
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